

## The Affordable Care Act and its impact on Colorado Health Care

In the Commission's analysis of the various factors that impact the cost of health care, and therefore insurance, numerous parties have asked what impact the Affordable Care Act ("ACA") has had on the costs in Colorado. This is a complicated subject and one that therefore makes a summary explanation difficult. However, this is a topic on many people's minds and therefore the Commission feels the need to respond.

The Affordable Care Act had many goals, among those was the desire to reform how health insurance operates in the private market, and thus to make coverage more available to the population. Arguably, this goal was achieved. More people have coverage than ever before and the cost of coverage has been reduced for those who are low income.

There are a number of factors that contribute to health care cost increases. The Affordable Care Act, however, did little to directly address the underlying cost drivers that contribute to increased rates for private insurance coverage. Commission data shows that costs are increasing at variable rates across Colorado. As an example, approved increases in the Colorado individual insurance market for 2017 average 20 percent, with significant variation across the state, from a high of a 42% increase over last year's rates in Alamosa to a low of 17% in Arapahoe and Douglas Counties.

<https://drive.google.com/file/d/0BwguXutc4vbpWHgtenpFc25aajQ/view>

These increases are attributed by the Commissioner of Insurance to continuing increases in health-care costs charged by hospitals, primary-care providers, pharmaceutical companies, medical-device firms and other providers. CIVHC data shows that rates for the same procedures and services vary substantially between communities, for example the cost of a knee replacement can vary by as much as \$27,500 across Colorado.

(CIVHC[http://www.civhc.org/getmedia/118a37cb-2fc0-4896-abe2-1ffd251fcbc3/2.2016\\_spot\\_analysis\\_paymentvariationbypayer.pdf.aspx](http://www.civhc.org/getmedia/118a37cb-2fc0-4896-abe2-1ffd251fcbc3/2.2016_spot_analysis_paymentvariationbypayer.pdf.aspx)).

Although the number of uninsured decreased, most of that reduction was affected by the expansion of Medicaid which does not fully cover the cost of the care being rendered. Today, in Colorado, those covered by Medicaid have increased substantially. This coverage is important, yet the expansion in the Medicaid population exasperated the concerns that all providers have had with reimbursement levels. In other words, health care providers were forced to either seek to increase the cost of coverage for those with commercial insurance in order to offset the inadequate reimbursement from government under Medicaid. Or, close their practices to new Medicaid enrollees, forcing these individuals to seek care in the most expensive setting for care—the emergency room.

The recent CACP analysis by HCPF for the Commission demonstrated that Medicaid rates are not nearly as inadequate as has been assumed, yet they remain well below the current rate for

commercial insurance, and that is of concern for insurance companies and all providers.

Contributing to this challenge is the fact that those who enrolled under the new, guaranteed issue insurance (i.e., insurance free from medical underwriting, increased rates for those with chronic conditions, and the use of pre-existing condition limitations) were generally older and sicker than anticipated. For various reasons, not nearly as many young, healthy Coloradans as expected enrolled in commercial insurance. In fact, many chose to pay the penalties under the law. In addition, many individuals under the age of 26 secured insurance through their parents' plans which skewed who participated in the marketplace. The result being inadequate rates to support the claim costs for those who did enroll. This phenomenon was most severe in the less urban areas where the population distribution tilts to the older and lower income versus the urban settings where the young have concentrated.

Finally, the failure by the federal government to honor risk corridor payments payable to insurance companies that enrolled a disproportionate number of high cost insureds meant that affected companies had to increase rates in order to make up their losses. The ACA was structured to share the burden of these losses across insurance companies, but Congress disallowed these payments.

So what is the solution? The Affordable Care Act has been helpful to many in being able to obtain needed coverage. It has set higher standards for insurers to operate within, and it has increased protections for those who are now covered. Each of those changes was very positive. However, the ACA has also put a spot light on the areas of the law that need to be improved, and areas such as cost reduction, that have not yet been addressed.

Like any other major piece of legislation, the ACA needs technical corrections in order for it to fully attain its intended purpose. It is our hope that the areas of the law needing attention will get it, and technical corrections or revisions will be forthcoming shortly.